



MAGIC VALLEY

BLAINE, CAMAS, CASSIA, GOODING, JEROME, LINCOLN, MINIDOKA, & TWIN FALLS COUNTIES

EMPLOYMENT TRENDS

The seasonally adjusted unemployment rate for the Magic Valley Labor Market Area was 3.9 percent in January 2004 as shown in Table 1. This was one-tenth of a percentage point higher than December 2003, but three-tenths of a percentage point lower than January 2003. The *Civilian Labor Force* increased 5,130, or 9.8 percent, year-over-year. This increase in *Civilian Labor Force*, coupled with a relatively flat number of unemployed persons, indicated a robust labor economy.

Sector analysis shows strong increases in some areas. *Professional & Business Services* showed a very high increase of 34.1 percent. However, much of this increase was due to outsourcing jobs to temporary worker agencies and represented merely a shift in sectors rather than a huge gain. The *Construction* sector showed undeniable gains as both commercial construction projects and housing projects were strong due to low interest rates and the overall strength of the Magic Valley LMA economy attracting market-driven businesses in *Retail* and *Services*. *Retail Trade* was impressive with an 8.5 percent gain year-over-year.

Sectors that had large decreases were the *Natural Resources & Mining* and *Transportation* sectors with declines of 50.0 percent and 20.9 percent, respectively. In South Central Idaho, *Natural Resources & Mining* generally consists of rock crushing preparatory to road building; *Transportation* was down due to severe winter weather conditions.

2004 Outlook: Sector Analysis

The outlook for agriculture is very guarded for 2004. External pressures have put some strain on the agricultural markets. A serious water curtailment in five South Central Idaho counties was avoided with a last minute deal made among several people representing dairymen, municipalities, small farmers, and aquaculture interests that will only last one year. The reality of groundwater

Magic Valley Table 1: Labor Force & Employment
Twin Falls, Jerome, and Gooding Counties

	Dec 2003*	Nov 2003	Dec 2002	% Change From	
				Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	57,530	57,010	52,400	0.9	9.8
Unemployment	2,220	2,190	2,190	1.4	1.4
% of Labor Force Unemployed	3.9	3.8	4.2		
Total Employment	55,310	54,820	50,210	0.9	10.2
Unadjusted					
Civilian Labor Force	55,950	57,050	50,910	-1.9	9.9
Unemployment	2,760	2,370	2,650	16.5	4.2
% of Labor Force Unemployed	4.9	4.2	5.2		
Total Employment	53,190	54,680	48,260	-2.7	10.2
JOBS BY PLACE OF WORK					
Nonfarm Payroll Jobs**	43,800	44,610	38,840	-1.8	12.8
Goods-Providing Industries	7,730	7,760	6,690	-0.4	15.5
Natural Resources & Mining	20	20	40	0.0	-50.0
Construction	2,410	2,630	1,710	-8.4	40.9
Manufacturing	5,300	5,110	4,940	3.7	7.3
Food Manufacturing	3,440	3,510	3,040	-2.0	13.2
Other Manufacturing	1,860	1,600	1,900	16.3	-2.1
Service-Providing Industries	36,070	36,850	32,150	-2.1	12.2
Trade, Transportation & Utilities	10,100	9,950	9,840	1.5	2.6
Wholesale Trade	1,870	1,940	1,700	-3.6	10.0
Retail Trade	6,240	6,200	5,750	0.6	8.5
Utilities	250	270	190	-7.4	31.6
Transportation & Warehousing	1,740	1,540	2,200	13.0	-20.9
Information	500	490	500	2.0	0.0
Financial Activities	1,740	1,790	1,650	-2.8	5.5
Professional & Business Services	6,410	7,130	4,780	-10.1	34.1
Educational & Health Services	3,660	3,820	3,030	-4.2	20.8
Leisure & Hospitality	3,650	3,520	3,240	3.7	12.7
Other Services	1,520	1,500	1,460	1.3	4.1
Government Education	3,980	4,060	3,670	-2.0	8.4
Government Administration	4,510	4,590	3,980	-1.7	13.3

*Preliminary Estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

conservation has many farmers who rely on such water delivery systems rethinking crop mixes and opting for shorter growing season crops such as grains, hay, corn, etc. Restriction of junior water rights will probably severely limit new dairy expansion and that industry will remain stable in the Magic Valley LMA. If any dairy expansion takes place in South Central Idaho, it will probably occur in the Mini-Cassia area where economic development plans include attracting an ice cream or cheese processor to the area. This will require about 75,000 more head of dairy cattle. However, milk prices have been rising, which is good news for dairy farmers who have had slow demand for product. Demand should increase if the fragile recovery continues and consumer confidence strengthens. Beef prices remain a concern. They had been increasing significantly due to a major increase in demand, partially attributed to consumers eating less carbohydrate-rich foods. However, beef markets were rocked with the news that

mad cow disease had been discovered in American cattle. This caused an immediate dip in domestic demand and export markets virtually dried up overnight. The outlook is very guarded for 2004, and the recovery of those markets depends on whether there is confidence that government and producer measures have alleviated the risk. It is expected for cattle prices to remain at break-even prices, or slightly below in 2004. Other meat markets such as pork, lamb, poultry, and trout are expected to be fairly strong as consumers shift demand.

General agricultural commodities will be a mixed bag. A major concern is the potato market. Currently potato processors are reporting large carryovers in 2003 inventory. The processed potato market has been affected by a couple of major factors. First, the Atkins Diet and other carbohydrate-limiting diet plans have had a significant impact on potato markets and prices are fairly anemic. Ironically, the mad cow disease situation also impacts processed potato markets since some products are dipped in beef tallow and consumers are fearful that those products might not be safe. Potato contracts will be down this year. The closure of the J. R. Simplot Plant in Heyburn and the increase in inventory means that processors will not have as many contracts this year. Farmers will have to choose whether to sell potatoes on the open market or produce less of that commodity. It is expected that acreage will be less. Sugar beets will probably have slightly less acreage and prices will be uncertain until the effects of the Central American Trade Agreement are sorted out. Other commodities should be average and the water supply seems to be adequate unless there is some impact from voluntary groundwater curtailment.

Construction should continue to be a bright spot, especially in western Magic Valley. The Federal Reserve has voted not to raise interest rates thus far in 2004 and that bodes well for the housing market. The City of Twin Falls shattered new housing start records in 2003 and construction will begin on those homes as the weather improves. Commercial construction is expected to be strong again in 2004 with new light manufacturing plants and retailers expected to build. With the recent donation of the Simplot Plant to the City of Burley, construction could be considerable in Mini-Cassia if economic development contacts work out. The construction sector is a very good economic stimulator. Not only do the new businesses that are built result in new jobs, but the construction jobs themselves typically are higher paying and contribute to the overall strength of the economy.

Once again, market-driven sectors are expected to be the fastest growing in South Central Idaho. The extremely robust economy of the western Magic Valley has induced many retailers and food service operators to locate in the area, especially in Twin Falls. This trend is

not expected to stop and several new jobs should be created. The drawback of retail and service sector jobs are that they are typically the lowest-paying in the economy, but it is hoped that supply and demand will cause some natural wage increases to reach equilibrium.

Light manufacturing is expected to be somewhat stable in 2004. A new company, Hydro-Fittings, Inc., is planning to build a facility in the industrial area of Twin Falls. This will create 30 to 40 new jobs. Light manufacturing is high on the list of industries targeted by economic development agencies and it is hoped that more will come to the area since these are typically high-paying jobs with benefits.

Tourism outlook is difficult to predict. The Sun Valley area had excellent snow conditions with good bookings this winter. The major concern in South Central Idaho is the rapidly increasing gasoline prices. Sun Valley has good airline connections, but the rest of South Central Idaho is very dependent on motor vehicle travel. Prices have risen approximately 20 cents per gallon in the mid-March and this has affected all industries, but this will have a particular impact on tourism if it continues. Forest conditions for camping should be fairly good, although the spring has been warm and dry so far.

Finally, low unemployment should continue in western Magic Valley and Blaine County, but will continue to be high in the Mini-Cassia area. However, improvement is expected in that area by the second half of the year. The economy in all areas appears to be improving, although the Magic Valley LMA will be hard pressed to improve on 2003. Consumer confidence is growing and the recovery seems to be slow but sustained. Agricultural employment is expected to be slightly below average and the season is expected to be shorter due to farmers switching to shorter growing season crops. The groundwater curtailment has already affected the H-2A hiring in the Mini-Cassia area. The overall outlook is for sustained but slow recovery in Mini-Cassia and continued strong performance in the Magic Valley LMA.

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